

# **U.S. House approves Peru trade deal**

By Doug Palmer

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WASHINGTON - The U.S. House of Representatives on Thursday passed a free trade pact with Peru, bringing President George W. Bush to the brink of his first trade victory since Democrats took control of Congress.

The House voted 285-132 to approve the agreement, which was revamped earlier this year to include groundbreaking labor and environmental provisions. The final tally showed 109 Democrats and 176 Republicans voted in favor of the pact.

The Senate is expected to give final congressional approval to the deal by the end of the year. It locks in Peru's duty-free access to the U.S. market, while phasing out Peru's tariffs on U.S. agricultural and manufactured goods.

Supporters predict a big boost to U.S.-Peru trade, which totaled about \$8.8 billion last year. Critics say it will give U.S. companies incentives to move to Peru, thus sending U.S. jobs overseas and depressing wages at home.

"I encourage the U.S. Senate to quickly approve this agreement, and for Congress then to move promptly to consideration of our free trade agreements," Bush said in a statement.

The Peru free trade agreement is the first of four trade deals Bush wants Congress to approve before he leaves office in early 2009. The remaining three with Colombia, Panama and South Korea all face challenges.

Democrats had opposed a free trade accord with Central American countries which passed narrowly two years ago when Republicans controlled the chamber.

But Democratic Rep. Nancy Pelosi, now House Speaker, said the Peru agreement "rises to the level of acceptance" because of a bipartisan agreement reached earlier this year that strengthened labor and environmental provisions of the pact.

Peru's trade minister, Mercedes Araoz, said: "This is a clear sign that Peru is committed to a development agenda based in trade openness, to getting closer to the world, to look for markets with clear rules in the game."

## **ATTACKS**

Still, several Democrats also attacked the Peru deal on the grounds it would cost American jobs, which they believe has happened under both the North American Free Trade Agreement and the Central American trade pact.

But House Ways and Means Committee Chairman Charles Rangel, a New York Democrat, disagreed. "This bill does not cause Americans to lose jobs. It's abundantly clear that the balance is on America's side in terms of removal of the tariffs," Rangel said.

The pact boosts protections for workers in both countries by requiring the two trading partners to adopt, maintain and enforce core international labor standards, such as the right to bargain collectively and go on strike.

The environmental provisions requires the United States and Peru to effectively enforce their domestic environmental laws and to honor international environmental obligations.

For the first time in a U.S. trade agreement, the labor and environmental commitments also will be enforceable through the same mechanism as commercial provisions of the pact.

But the AFL-CIO U.S. labor federation said it was "skeptical" about future enforcement of labor and environmental provisions in the pact, and asked for more congressional oversight.

"The damage done to working families by flawed trade policies run deep. It will take much more than some improvements to a bilateral free trade agreement to fix it," said AFL-CIO President John Sweeney.

The deal locks in Peru's duty-free access to the U.S. market under a long-standing U.S. trade-preference program, creating a more favorable environment for foreign investment the Andean country wants to help create jobs.

For U.S. business, it immediately eliminates duties on 80 percent of industrial and consumer product exports to Peru and more than two-thirds of farm exports. Most other duties will be phased out over 10 to 15 years.

The deal also requires Peru to open its banking, insurance and other services markets to more U.S. companies and strengthen copyright, patent and trademark protections for U.S. products ranging from music to manufactured goods. (Additional reporting by Adriana Garcia in Washington and Teresa Cespedes in Lima, editing by Jackie Frank)